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**CLASSIC FOUNDATION, INC.
d/b/a COMPAQ CLASSIC OF NEW ORLEANS**

FINANCIAL STATEMENTS

Years Ended June 30, 2000 and 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11-15-00

CLASSIC FOUNDATION, INC.
d/b/a COMPAQ CLASSIC OF NEW ORLEANS

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Wegmann-Dazet & Co.

A Professional Corporation
Certified Public Accountants

Members:
AICPA Private Companies Practice Section
AICPA S.E.C. Practice Section
Independent Accountants International

INDEPENDENT AUDITORS' REPORT

To the Board of Directors

Classic Foundation, Inc. d/b/a Compaq Classic of New Orleans

We have audited the accompanying balance sheet of Classic Foundation, Inc. d/b/a Compaq Classic of New Orleans (the "Foundation," a Louisiana non-profit organization) as of June 30, 2000, and the related statements of activities and cash flows for the year then ended. These financial statements and the schedules referred to below are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Foundation as of June 30, 1999, were audited by other auditors whose report dated July 30, 1999, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation. as of June 30, 2000, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2000, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules on pages 9-12 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The supplementary schedules for the year ended June 30, 1999, were audited by other auditors whose report stated that, in their opinion, such information was fairly stated in relation to the basic financial statements, taken as a whole.

August 22, 2000
Metairie, Louisiana

Wegmann-Dazet & Co.

CLASSIC FOUNDATION, INC.
d/b/a COMPAQ CLASSIC OF NEW ORLEANS

BALANCE SHEETS

June 30, 2000 and 1999

	<u>ASSETS</u>	<u>2000</u>	<u>1999</u>
Current Assets			
Cash and cash equivalents		\$ 967,579	\$1,995,469
Accounts receivable		166,027	91,550
Prepaid expenses		3,437	3,437
Accrued interest		7,291	17,038
Investments (Note 2)		<u>1,196,584</u>	<u>2,195,211</u>
Total Current Assets		2,340,918	4,302,705
Equipment, at cost, less accumulated depreciation of \$134,691 in 2000 and \$122,677 in 1999		34,272	17,503
Capital lease, at cost, less accumulated amortization of \$9,392 in 2000 and \$6,827 in 1999		6,475	9,040
Leasehold improvements, at cost, less accumulated amortization of \$275,845 in 2000 and \$274,796 in 1999		<u>4,195</u>	<u>-</u>
Total Assets		<u>\$2,385,860</u>	<u>\$4,329,248</u>
	<u>LIABILITIES</u>		
Current Liabilities			
Accounts payable and accrued liabilities		\$ 312,229	\$ 340,465
Deferred revenue - current portion		85,000	1,885,000
Accrued retirement benefit - current portion		<u>97,614</u>	<u>97,856</u>
Total Current Liabilities		494,843	2,323,321
Deferred revenue		-	85,000
Accrued retirement benefits		<u>87,300</u>	<u>179,258</u>
Total Liabilities		582,143	2,587,579
Net Assets - Unrestricted		<u>1,803,717</u>	<u>1,741,669</u>
Total Liabilities and Net Assets		<u>\$2,385,860</u>	<u>\$4,329,248</u>

See accompanying Notes to Financial Statements.

CLASSIC FOUNDATION, INC.
d/b/a COMPAQ CLASSIC OF NEW ORLEANS

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2000 and 1999

	<u>Amount</u>	
	<u>2000</u>	<u>1999</u>
Tournament revenues	<u>\$ 7,467,679</u>	<u>\$6,409,257</u>
Tournament Expenses		
Direct tournament expenses	6,300,434	5,455,485
Indirect tournament expenses	<u>804,989</u>	<u>823,683</u>
Total tournament expenses	<u>7,105,423</u>	<u>6,279,168</u>
Tournament net income	<u>362,256</u>	<u>130,089</u>
Other Income (Expense)		
Investment income	129,508	106,342
Other income	79,262	1,849,434
Interest expense	-	(16,929)
Loss on sale of securities	<u>(4,365)</u>	<u>(19,163)</u>
Net Other Income (Expense)	<u>204,405</u>	<u>1,919,684</u>
Excess of revenue over expenses before donations	566,661	2,049,773
Donations to charitable organizations	<u>508,516</u>	<u>743,739</u>
Change in net assets before unrealized gain on investments	58,145	1,306,034
Unrealized gain on investments	<u>3,903</u>	<u>52,227</u>
Change in net assets	62,048	1,358,261
Net assets		
Beginning of year	<u>1,741,669</u>	<u>383,408</u>
End of year	<u>\$ 1,803,717</u>	<u>\$1,741,669</u>

See accompanying Notes to Financial Statements.

CLASSIC FOUNDATION, INC.
d/b/a COMPAQ CLASSIC OF NEW ORLEANS

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Cash Flows From Operating Activities:		
Changes in net assets	\$ 62,048	\$ 1,358,261
Adjustments to reconcile to net cash from operations:		
Depreciation and amortization	15,652	56,505
(Increase) decrease in:		
Receivables	(74,478)	(63,860)
Accrued interest	9,747	(17,038)
Increase (decrease) in:		
Accounts payable	(28,236)	49,215
Deferred revenue	(1,885,000)	1,970,000
Accrued retirement benefits	(92,200)	(94,744)
Capital lease payable	<u>-</u>	<u>(2,645)</u>
Net cash provided (used) by operating activities	<u>(1,992,467)</u>	<u>3,255,694</u>
Cash Flows From Investing Activities:		
Purchases of equipment	(34,050)	-
Sale (purchase) of investments, net	<u>998,627</u>	<u>(2,195,186)</u>
Net cash provided (used) by investing activities	<u>964,577</u>	<u>(2,195,186)</u>
Net increase (decrease) in cash	(1,027,890)	1,060,508
Cash, beginning of year	<u>1,995,469</u>	<u>934,961</u>
Cash, end of year	<u>\$ 967,579</u>	<u>\$ 1,995,469</u>

See accompanying Notes to Financial Statements.

CLASSIC FOUNDATION, INC.
d/b/a COMPAQ CLASSIC OF NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2000 and 1999

1) Nature of operations

The Classic Foundation, Inc. (the Foundation) was incorporated on September 20, 1990 under the laws of the State of Louisiana as a non-profit corporation and does business as the Compaq Classic of New Orleans, effective February 8, 1999. The primary purpose of the Foundation is the promotion of social welfare for the community of New Orleans by promoting, managing and sponsoring an annual Professional Golfers Association (PGA) golf tournament. The tournament is sponsored under a written agreement with PGA Tour, Inc. which details the terms and conditions of the tournament, prizes to professionals, the financial obligations and general division of duties of the parties. Entergy Corporation (Entergy) entered into an agreement with the Foundation to become the major corporate sponsor beginning with the 1999 tournament and extending through the 2002 tournament. This agreement with Entergy was canceled in February 1999 and assumed by Compaq Computer Corporation (Compaq). Under the cancellation agreement with Compaq, Entergy agreed to pay the Sponsorship fees through the 2000 Tournament, but all sponsorship rights were transferred to Compaq. In addition, Entergy was required to pay the 2000 Tournament sponsorship fees and a cancellation fee to the Foundation in 1999.

2) Summary of significant accounting policies

The significant accounting policies followed by the Foundation are summarized as follows:

(a) Accrual basis

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Classification of net assets

Financial Accounting Standards Board Statement No. 117 entitled "Financial Statements for Not-for-Profit Organizations" requires that net assets and changes in net assets be reported for three classifications - permanently restricted, temporarily restricted and unrestricted - based on the existence or absence of donor imposed restrictions of these assets to a particular purpose. As the Foundation has a single purpose - the operation of the annual golf tournament and the donation of the proceeds thereof to charitable organizations - all net assets are classified as unrestricted.

CLASSIC FOUNDATION, INC.
d/b/a COMPAQ CLASSIC OF NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2000 and 1999

(d) Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid marketable securities with original maturities of 90 days or less.

(e) Equipment and leasehold improvements

Property and equipment, including equipment purchased under a capital lease, are stated at cost, less accumulated depreciation. Depreciation is computed over the estimated useful lives of the assets, using the modified accelerated cost recovery system, which approximates the 200% declining balance method of depreciation.

Additions, improvements and expenditures for maintenance that add materially to productive capacity or extend the life of an asset are capitalized. Other expenditures for maintenance are charged to operations in the year incurred.

Leasehold improvements consist of office renovations, construction of a new parking lot and substantial improvements made to an existing parking lot at English Turn for the Foundation's use during the tournament. Amortization is calculated on a straight-line basis over the remaining life of the Foundation's lease with English Turn (see Note 5).

(f) Investments

FASB Statement No. 124 entitled "Accounting for Certain Investments Held by Not-for-Profit Organizations" requires investments to be carried at fair value. At June 30, 2000, approximately \$1,196,584 was invested in various equity securities.

(g) Contributed services

Members of the tournament's executive committee and other volunteers have made significant contributions of their time to assist in the tournament's operation and related charitable programs. The value of this contributed time is not recorded in these financial statements because it is not susceptible to objective measurement or valuation.

The Foundation also offers various rights and services during the tournament to several of its suppliers in return for services and products provided by these suppliers such as use of rental cars, rental of equipment, airplane tickets, catering services, and other services and products. These non-cash trades are recorded at the value of the service given up by the Foundation and totaled approximately \$500,000 and \$429,000 during 2000 and 1999, respectively.

CLASSIC FOUNDATION, INC.
d/b/a COMPAQ CLASSIC OF NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2000 and 1999

3) Tournament income

The Foundation's primary source of revenue is the sale of tournament sponsorships and other rights. The sponsorship agreement with Compaq calls for, among other things, an annual sponsorship fee, guarantee of the purchase of a specified number of advertising units from the networks broadcasting the Tournament, and the right to have the Compaq name included in the tournament name. Payments on behalf of Compaq were made to the Foundation totaling \$2,000,000 and \$1,700,000 for the years ended June 30, 2000 and 1999, respectively.

4) Donations

The Foundation makes donations to local and children's charities based on requests received during the year. During 2000, the Foundation donated \$508,516 to these charities, of which \$6,220 were donations of tickets and other tournament packages which were raffled by the requesting organizations. The proceeds of the raffles were donated to charitable organizations. In addition to these donations, several sponsors of the Foundation contributed \$273,000 directly to various charities on behalf of the Foundation; included in this amount is a \$25,000 donation to the World Golf Village and a \$25,000 donation to Operation Smile by the PGA Tour on behalf of the Foundation.

5) Leases

The Foundation leases office space under a noncancellable operating lease which expires in June 2003.

The Foundation leases the golf course facilities of the English Turn Golf & Country Club under an agreement calling for annual rent of varying amounts and other considerations. The original agreement extended through the year 2000; however, the Foundation entered into an agreement in 1999 which grants the Foundation the option to extend the agreement through the year 2002 at the discretion of the Foundation.

The Foundation leases two tracts of ground used for parking during the annual Golf Classic for a minimum annual rent of \$25,000, adjusted based on the change in the Consumer Price Index, plus an amount equal to 33 1/3% of gross parking revenues less the \$25,000 minimum rental. The annual rental fee totaled \$28,169 and \$27,135 for 2000 and 1999, respectively. The Foundation is obligated to maintain parking improvements to these two tracts of land.

CLASSIC FOUNDATION, INC.
d/b/a COMPAQ CLASSIC OF NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2000 and 1999

5) Leases (continued)

The following is a schedule of future minimum lease payments for all noncancellable operating leases payable over the remaining lives of the leases:

<u>Year Ending June 30,</u>	
2001	\$211,912
2002	216,912
2003	<u>66,912</u>
Total	<u>\$495,736</u>

6) Accrued retirement benefits

The Foundation has granted a former employee a retirement package which includes an obligation to pay a monthly sum of \$801 until death. This obligation has been estimated based on the life expectancy of the retiree, discounted at 8% to the present value of the estimated stream of payments. Interest is being accreted over the expected life of the retiree.

A severance offer was made to the departing executive director effective September 1, 1998. Included in this offer are payments for salary, health insurance, retirement plan contributions and an automobile allowance. These benefits will terminate on October 31, 2001. The salary portion of these costs was reimbursed by Entergy in the cancellation fees paid in February 1, 1999. The reimbursement was recorded as deferred revenue and will be recognized over the term of the severance agreement.

7) Income taxes

No provision for Federal and state income taxes has been reflected in the accompanying financial statements because the Foundation is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code.

CLASSIC FOUNDATION, INC.
d/b/a COMPAQ CLASSIC OF NEW ORLEANS

SUPPLEMENTARY INFORMATION - TOURNAMENT REVENUE

Years Ended June 30, 2000 and 1999

	<u>Amount</u>	
	<u>2000</u>	<u>1999</u>
Television rights	\$2,065,863	\$1,664,274
Sponsorship sales	1,469,096	1,383,555
Sales of other rights	1,641,397	1,315,125
Skybox sales	908,235	1,003,964
Peninsula Villa	152,500	165,000
Birdies for charity/kids income	195,612	136,284
Monday - Pro Am	139,000	117,000
Ticket sales	143,578	104,364
PGA Tour Charity income	100,000	100,000
Corporate tent sponsors	85,289	92,000
Program/pairing sheet advertising	108,702	60,475
Sponsor pavilion sales and rights	59,873	59,769
Corporate expo income	68,500	50,272
Outside concessions	68,058	48,446
Parking income	53,367	46,260
Special events income	37,800	35,000
Junior golf income	25,084	26,514
Uniform income	51,580	-
Bobby Jones Saturday Series	71,500	-
Aquarium Event income	21,500	-
Entry fee for professionals	<u>1,145</u>	<u>955</u>
Total Tournament Revenue	<u>\$7,467,679</u>	<u>\$6,409,257</u>

CLASSIC FOUNDATION, INC.
d/b/a COMPAQ CLASSIC OF NEW ORLEANS

SUPPLEMENTARY INFORMATION - DIRECT TOURNAMENT EXPENSES

Years Ended June 30, 2000 and 1999

	<u>Amount</u>	
	<u>2000</u>	<u>1999</u>
Prizes to professionals	\$3,424,000	\$2,624,000
Publicity and advertising	466,979	552,559
Skybox expense	532,057	449,280
Professional players expense	132,128	118,417
Champion club expense	81,151	110,898
Golf course rental	115,000	110,000
Course improvements	56,000	96,815
Sponsorship pavilion expense	61,674	89,486
Equipment rental and storage	79,674	82,288
Sponsorship sales expense	26,675	80,159
Peninsula Villa expense	90,857	70,334
Transportation	-	65,883
Badges/ticket sales expense	74,647	64,122
Civic patron expense	80,480	62,959
Parking	151,197	62,202
Pro-amateur expense:		
Wednesday tournament	159,325	61,494
Monday tournament	50,327	33,160
Gallery control	-	58,805
City police and security	77,854	57,777
Tournament signs	46,017	52,261
English Turn option	-	50,000
Amortization of leasehold improvements to parking lots	-	45,800
Temporary electrical service	44,511	44,723
Supplies - golf course	15,476	44,420
Sanitation expense	37,629	43,684
Program and paring sheet production expense	45,889	43,653
Tournament office expense	20,627	40,332
Grounds and clubhouse expense	22,618	35,845
Corporate sponsor tents	41,345	32,427
Executive sports expense	30,077	26,987
Special events expense	15,706	23,522
Junior golf expense	35,983	22,409
Island Club expense	12,780	20,167
Corporate expo expense	39,196	19,547
Volunteer expense	8,491	14,490
Caddy expense	2,373	14,234
Birdies for kids expense	42,839	11,620
Courtesy cars	4,963	9,855
Scoring expense	10,496	6,800
Nursery expense	1,567	1,115
Bobby Jones Saturday Series expense	54,634	-
Communications expense	2,692	-
Uniform expense	103,401	-
Entry fee paid to PGA Tour	<u>1,099</u>	<u>956</u>
 Total Direct Tournament Expenses	 <u>\$6,300,434</u>	 <u>\$5,455,485</u>

CLASSIC FOUNDATION, INC.
d/b/a COMPAQ CLASSIC OF NEW ORLEANS

SUPPLEMENTARY INFORMATION - INDIRECT TOURNAMENT EXPENSES

Years Ended June 30, 2000 and 1999

	<u>Amount</u>	
	<u>2000</u>	<u>1999</u>
Salaries and benefits	\$ 430,572	\$ 344,216
Office expenses	57,388	142,025
Professional fees	19,920	86,312
Insurance	75,869	67,682
Miscellaneous	20,722	56,725
Other travel and entertainment	16,928	42,578
Taxes	33,540	27,023
Executive committee expense	30,392	19,456
Executive director travel and promotion	18,881	13,038
Depreciation and amortization	15,652	10,734
Ladies committee expense	-	7,577
Dues and subscriptions	6,378	6,317
Postage	21,691	-
Printing	29,323	-
Telephone	<u>27,733</u>	<u>-</u>
 Total Indirect Tournament Expenses	 <u>\$ 804,989</u>	 <u>\$ 823,683</u>

CLASSIC FOUNDATION, INC.
d/b/a COMPAQ CLASSIC OF NEW ORLEANS

SUPPLEMENTARY INFORMATION - CHARITABLE CONTRIBUTIONS

Years Ended June 30, 2000 and 1999

	<u>Amount</u>
Tour Wives Association	\$ 50
Leukemia Society	1,000
Easter Seals	500
Cabrini High School	10,000
Dreams Come True	2,500
Stanley Cancer Fund	250
Edna Karr School	750
Archbishop Hannan	700
Mandeville High School	1,850
Gary Madere	1,000
L.R. Prout	1,500
ABC 26 Children First	339,326
Wayne Benjamin Foundation	1,000
Big Brothers/Big Sisters	5,000
The Bright School	5,000
Ticket Raffles	220
Campaign for Concern	10,000
Kiwanis	8,000
Jewish Children's Service	5,000
Fisk - Howard Elementary School	5,000
Girl Scouts	5,000
Jefferson Community School	5,000
Jefferson Dollars for Scholars	5,000
K-Bar B Ranch	5,000
Muscular Dystrophy	6,750
N.O. Speech & Hearing Center	6,700
Operation Smile	15,000
Rainbow Child Care	7,500
Salvation Army	5,000
Season's Center for Caring	5,000
Second Harvester's Food Bank	5,000
Crohn's & Colitis Foundation	5,000
Friends of City Park	1,420
Special Olympics	600
Child's Wish	1,000
Third District Kiwanis	400
N.O. Fairgrounds	500
United Way	21,000
Fellowship of Christian Athletics	<u>9,000</u>
Total Charitable Contributions	<u>\$508,516</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Classic Foundation, Inc. d/b/a Compaq Classic of New Orleans

We have audited the financial statements of Classic Foundation, Inc. d/b/a Compaq Classic of New Orleans (the "Foundation"), a Louisiana nonprofit organization as of and for the year ended June 30, 2000, and have issued our report thereon dated August 22, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization and the Louisiana Legislative Auditor Office and is not intended to be and should not be used by anyone other than these specified parties.

August 22, 2000
Metairie, Louisiana

Wegmann - Dazet & Co.

CLASSIC FOUNDATION, INC.
d/b/a COMPAQ CLASSIC OF NEW ORLEANS

SCHEDULE OF FINDINGS

June 30, 2000

Section I Summary of Auditors' Report

A) Financial Statements

Type of auditors' report issued: Unqualified

Internal Control over financial reporting:

- | | | |
|---|-----------|-----------------|
| • Material weakness(es) identified | _____ Yes | <u> X </u> No |
| • Reportable condition(s) identified that are
not considered to be material weakness | _____ Yes | <u> X </u> No |
| • Noncompliance material to financial statements
noted? | _____ Yes | <u> X </u> No |

B) Federal Awards

For the year ended June 30, 2000, the Classic Foundation, Inc., d/b/a Compaq Classic of New Orleans was not subject to OMB Circular A-133 Audits of States, Local Government and Non-Profit Organizations.

Section II Financial Statement Findings

There were no financial statement findings required to be reported for the year ended June 30, 2000.

Section III Federal Award Findings and Questioned Costs

Not applicable

CLASSIC FOUNDATION, INC.
d/b/a COMPAQ CLASSIC OF NEW ORLEANS

SCHEDULE OF PRIOR YEAR FINDINGS

June 30, 2000

Section I Internal Control and Compliance Material to the General Purpose Financial Statements

For the year ended June 30, 1999 the Classic Foundation, Inc. d/b/a Compaq Classic of New Orleans was not subject to government auditing standards.

Section II Internal Control and Compliance Material to Federal Awards

For the year ended June 30, 1999 the Classic Foundation, Inc. d/b/a Compaq Classic of New Orleans was not subject to government auditing standards.

Section III Management Letter

A management letter was not issued in connection with the audit of the year ended June 30, 1999.

REPORTS BY MANAGEMENT

CLASSIC FOUNDATION, INC.
d/b/a COMPAQ CLASSIC OF NEW ORLEANS

MANAGEMENT'S CORRECTIVE ACTION PLAN

June 30, 2000

Section I Internal Control and Compliance Material to the General Purpose Financial Statements

For the year ended June 30, 2000 there were no internal control or compliance issues reported or noted.

Section II Internal Control and Compliance Material to Federal Awards

For the year ended June 30, 2000 the Classic Foundation, Inc., d/b/a Compaq Classic of New Orleans was not subject to OMB Circular A-133, Audits of States, Local Government and Non-Profit Organizations.

Section III Management Letter

A management letter was not issued in connection with the audit of the year ended June 30, 2000.